

HOUSING COMMITTEE 2022/23 DRAFT GENERAL FUND BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY (MTFS)

Housing Committee – 25th January 2022

Report of: Alison Boote – Executive Head of Communities
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Purpose: To propose the 2022/23 Draft Housing General Fund Budget to Council

Publication status: Unrestricted

Wards affected: All

Executive summary:

The purpose of this report is to present the draft Budget for 2022/23 and Medium-Term Financial Strategy (MTFS), including the Capital Programme, for this committee.

Members are requested to agree the recommendations below. These recommendations will be consolidated into the overall position, which will form part of the Council-wide budget setting process (to be ratified by Full Council on 10th February 2022).

This report supports the Council's priority of:

Building a better Council/Creating the homes, infrastructure and environment we need/Supporting economic recovery in Tandridge/Becoming a greener, more sustainable District.

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Recommendation to Committee:

The approved Housing General Fund budget will form part of the Council-wide budget setting process (to be ratified by Full Council on 10th February 2022). This report focusses on the budgets for Planning Policy Committee, and recommends that that the Committee:

- A) **Agree the Housing Committee's Draft General Fund Revenue Budget for 2022/23 of £468k**, as shown in **Appendix A**, taking account pressures and savings allocated as part of **Tranche 1**. Note that a further two tranches of pressures and savings currently held in Corporate Items on behalf of other Committees will be distributed over the coming months (refer to para 1.4);
- B) **Agree the Housing Committee's General Fund Final Capital Programme** for 2022/23 being the sum of £460k for 2022/23, as shown in **Appendix C**;
- C) **Note the Subjective Revenue Budgets in Appendix B**, noting movements from 2020/21 to 2022/23 and an estimated movement to 2023/24;
- D) **Note** that due to timing and capacity constraints across the Council, **c£0.7m of savings** (as part of a £1.1m savings programme) and **c£0.4m of pressures** could not be allocated in time for January and February committee cycle, as such they will be allocated in three tranches (refer para 1.4):
- a. **Tranche 1** which are directly attributable to the committee have been allocated as per **Appendix A**;
 - b. **Tranche 2** will be brought to the March committee cycle for approval; and
 - c. **Tranche 3** will be overseen and monitored by the Benefits Board and will be brought to the June committee cycle for approval.

Reason for recommendation:

Section 151 of the Local Government Act 1972 requires all Councils in England and Wales to make arrangements for the proper administration of their financial affairs. It is a legal obligation that the Council sets a balanced budget for 2022/23. If the Council is unable to set a balanced budget, the Council will either have to draw down on its reserves which are already below the level considered prudent or it will have to make tough choices about service delivery.

1. Introduction and background

- 1.1. COVID-19 has exacerbated what have been two particularly challenging financial years. This has only served to confirm our requirement to re-build our Reserves, in order to create financial resilience and support the recovery from previous budget deficits.
- 1.2. The following section recaps the journey from the setting of the 2021/22 budget to the present day, as context for the Council's current financial position and proposed 2022/23 budget:
 - In February 2021, the Council approved a balanced budget for 2021/22, aiming also to replenish depleted reserves;

- By May 2021, when the 2020/21 outturn should have been reported, it was found that due to past decisions and unusual budget practices, the budgets for 2020/21 and 2021/22 included a recurring budget mistake of c£920k;
 - In June 2021, Grant Thornton (GT) was commissioned to conduct a Fact Finding and Forensic Review to confirm that the c£920k was an actual budget gap, which they did, and also confirmed that it was a base budget (i.e. ongoing) issue;
 - The GT report was presented to Strategy & Resources on 14 September 2021 and Audit & Scrutiny 30 September 2021;
 - Confidence in the Council's finances was eroded as a result, with a genuine risk that the ongoing budget position was unsustainable;
 - The Council required urgent assurance that the base position was sound, following correction of the budget error;
 - The GT report, and subsequent work, provides the Council with confidence that the proposed budget for 2022/23 is sound, and built on solid foundations on which to build the Tandridge Finance Transformation Programme (TFT);
 - In addition to the GT review, and acceptance of their 15 recommendations, the Council commissioned:
 - An independent, fundamental root and branch review of the Council's finances; and
 - A line-by-line budget review of 2021/22.
 - In order to provide confidence to set a draft budget for 2022/23, the results of these two reviews have been presented to Members; providing assurance that the Balance sheet and 2020/21 outturn have been independently assessed and 2021/22 budget reviewed in forensic detail to find no further significant issues; and
 - To complete the rebuild of the Council's budget, in December 2021 the 2020/21 Outturn was reported to Strategy & Resources along with the Draft Budget for 2022/23. The approved outturn has subsequently been provided to our External Auditors (Deloitte) to continue their work on finalising the 2020/21 Accounts.
- 1.3. Against this backdrop, the budget setting process for 2022/23 has been extremely challenging. Concluding the process with a sound and balanced budget has been made possible with independent advice and support from GT, Laura Rowley and IMPOWER. The challenges outlined above had a severe impact on the time and resources available to set the 2022/23 budget, which took place in very compressed timelines, whilst Finance was also transitioning to a new Target Operating Model. Arriving at a position which allows the Council to set a balanced budget is a major achievement and testament to the combined hard work of Members and officers.

- 1.4. Given the current capacity constraints in Finance and across the Council however, we have taken a pragmatic approach to the distribution of pressures and savings in order to ensure a balanced position is achieved for 2022/23 and presented in this report. For the purposes of budget setting, pressures and savings are generic terms used to identify changes (increases or decreases) to budgeted income and expenditure. For example; pressures could include costs due to contract inflation or increases in demand for services. Savings could include optimising existing sources of income or delivering services in an improved/more efficient way to provide better value for money. Refer to the Glossary of Terms in **Appendix A**
- 1.5. We will be distributing pressures and savings in three tranches:
- **Tranche 1** – savings and pressures are set out in **Appendix A**. These are the savings and pressures which were straightforward and simple to allocate.
 - **Tranche 2** – will require a bit more time to allocate correctly to each committee and include **£367k of pressures** comprising £193k of staffing increments, and £174k of contract inflation, plus **savings of £200k** for vacancy factor. These are currently being worked through and will be brought to the next committee cycle in March for approval. In the intervening period they will be held in Corporate Items
 - **Tranche 3** – are the more complex **cross-cutting savings totalling £450k**, which will require Service Reviews and business cases to be undertaken to ensure accurate distribution to committees. These savings include £200k enabling services/back-office review, £150k of Twin Track accelerated savings in 2022/23, £25k of review of staffing increments, pay award and terms and conditions and £75k of ensuring best value for external spend. The mechanism to oversee this process is the Benefits Board. The first meeting of this Board will take place in January and will meet on a monthly basis to ensure that the benefits are being defined, owned and delivered. The proposal is to take the cross-cutting savings allocation to committees in June for approval. Although, this will not occur until the end of quarter 1 in 2022/23, the Benefits Board will support their delivery on behalf of committees, and they will be monitored closely internally. In the intervening period they will be held in Corporate Items.
- 1.6. As part of the budget setting process for 2022/23 there were a number of indicative pressures identified for 2023/24 and savings which reflect the ongoing nature of those from 2022/23. They have been identified in **Appendix A** and will be reviewed and updated as part of next year's budget setting process.

- 1.7. **The final budget for 2022/23 no longer anticipates the use of reserves to balance, with the anticipated pooling gain and additional funding allocated through the settlement closing the remaining gap.** This will leave reserves at a legally acceptable level for now, but one which would require improvement through building in the next financial year. In future years, subsequent budgets and the financial strategy will target the replenishment of reserves, increasing them to a level to create resilience against medium-term risk.
- 1.8. The process followed to date has been well scrutinised and good progress has been made. Internal workshops have been held with Finance, Senior Leadership Teams and Members to allow discussions on both pressures and savings. Identified in this report are the committee's pressures and savings that are proposed to support closing the Council's budget gap.
- 1.9. Still, the COVID-19 pandemic will continue to create uncertainty into the 2022/23 financial year and possibly further into the medium-term. The Council has been integral in the response to support residents and will continue to do all it can and as long as it is required. This is not however without its risks and financial challenges.
- 1.10. The draft version of the Budget and MTFS was taken to Strategy & Resources Committee on 2 December 2021 detailing a budget gap for 2022/23 of c£0.3m. Further to the provisional settlement received on 16th December, **we have now proposed a balanced budget.** The consolidated and overall position for the Council will be reflected in the Final 2022/23 Budget Report and MTFS and will be presented for approval by Full Council on 10th February.

2. Housing Committee

- 2.1. This Committee is responsible for formulating and reviewing the Council's policies for the management including repair, maintenance, improvements, sale, acquisition, allocation and control of all the Council's housing stock. In addition, the Housing Committee has the vital role of looking at the private sector housing conditions including standards of condition and the provision of a housing advisory service.
- 2.2. A review of the Council's income from the housing stock Housing Revenue Account (HRA) is to be completed through 2022/23. Resource and priority issues have delayed this work through 2021/22. A review of the Council's garage stock is in progress and reviews of the condition of the housing portfolio take place on a cycle during a five-year programme. Mindful of increasing regulation over environmental concerns, work is commencing to ensure costings for future efficiencies through 'retrofitting' stock and moves towards a future carbon zero position.

- 2.3. Ongoing resilience of the Council's housing service is vital to be able to support our ongoing programme to provide a direct supply of new Council owned homes. The effects of Covid-19 saw delays to the programme over the past two financial years. 35 new homes are projected to start on site in 2022/23 with 47 scheduled to complete. On 17th September 2020 the Council committed that all new developments will be net zero carbon (operational).
- 2.4. The need for affordable homes grows in the District. The Council seeks to develop and extend the programme of Council house building in the next year alongside working with Housing Associations to improve the flow of supply. 'Buy backs' of Council properties are also progressing.
- 2.5. The Housing team carry out extensive support work for all residents of Tandridge not just Council tenants. Housing Needs are assessed, the Council's Homelessness strategy is being progressed, Disabled Facilities Grants are administered, and a handyman service. Administration of Housing Benefit is brought to the Housing Committee. Much of the work is governed and dictated by Legislation with considerable statutory returns throughout the year.
- 2.6. Capacity within the team has been affected by previous changes and Covid-19. Despite these, there have been efficiency benefits seen through the close working of revenue and benefits teams with Housing Needs and Tenancy Management. 2021/22 has seen the implementation of a new Revenues and Benefits collection system with additional customer direct access. Further work will be carried out over the next year to improve debt management. There have also been resource issues affecting the housing development programme. All teams have worked well together to seek new models of working to ensure that the full range of activities are covered.

3. Revenue Budget – General Fund

- 3.1. The **revenue budget for Housing General Fund totals £468k**. **Appendix B** details the subjective budgets from 2020/21 outturn to Estimated Budget 2023/24.
- 3.2. The revenue budget proposals have been prepared on the basis that all existing services to residents are maintained.
- 3.3. **Tranche 1 of Financial savings (totalling £60k)** have been included in the draft Budget for this committee. **Appendix A** sets out full details of this tranche of allocated savings and pressures. The summary savings items are as follows:
 - £50k Westway grant – 3-year agreement finishes on 1st October 2022 regarding an annual grant £100k payment.
 - £10k Meadowside Mobile Homes Sales – to take account that the number of homes sold each year have increased year on year.

- 3.4. **Tranche 1 Financial pressures (totalling net £59k)** have been included and summarised as follows:
- £10k Afghan Refugees – net funding pressure for the scheme to relocate Afghan former locally employed staff (LES) to the UK Government. The scheme covers relocation and assistance to the families; and
 - £49k Redstone – loss of rental income as property is to be sold.
- 3.5. The remaining tranche of pressures and savings will be distributed as set out in para 1.4 above.
- 3.6. **Appendix A** is an extract from the MTFs for this committee which details the pressures identified and details the overall budget position against the budget envelope.

4. Review of Fees and Charges

- 4.1. Charges for services for a key part of the mechanism for financing local services. In simple terms income from fees and charges offsets the cost of the service. If income from charging does not fully offset costs, then the Council Taxpayer must pay for the difference.
- 4.2. It is therefore important that charges are regularly reviewed and assessed to reflect the Council's corporate priorities and are increased annually to take account of inflation, demand and any other appropriate factors particular to individual charges. 2022/23 will be a challenging year with ongoing uncertainty relating to the pandemic. This is all exacerbated by the significant uncertainty with funding from Central Government over the medium-term. The Spending Review and the provisional settlement has only provided us with surety for one year.
- 4.3. Fees and charges have been reviewed by service managers, taking into account factors such as anticipated demand, comparison with competitors, previous levels of performance and inflation. As a result, all fees and charges for Housing have been uplifted by 4.1% (September 2021 CPI + 1% in line with Government policy for Housing) taking into account to round the whole number.
- 4.4. Fees and charges for Housing are very limited to only include Meadowside (plots and garages).

5. Capital Programme

- 5.1. The proposed Capital Programme for this Committee is shown at **Appendix C**. The programme covers a three-year period but will be reviewed and updated annually. The Appendix shows the current agreed programme, revisions to existing schemes and any new schemes added and the proposed programme after all revisions.
- 5.2. Included in the Appendix is a narrative description of each scheme.

6. Other options considered

- 6.1. It is a legal obligation that the Council sets a balanced budget for 2022/23 and this has been achieved with the Housing Committee having balanced its budget.

7. Consultation

- 7.1. It is good practice for the Council to consult on its proposed budget for the next financial year. The views of local people and key stakeholders were considered in arriving at the final budget setting process.
- 7.2. The Council's budget consultation exercise in relation to the Budget for 2022/23 is taking place over January 2022, providing information in relation to the budget challenge that the Council faces. The outcome of that consultation will be included in the consolidated Final Budget report.
- 7.3. The public consultation will give residents and stakeholders an opportunity to comment on the 2022/23 overall budget before final decisions are formalised in the Council's annual budget.

Key implications

8. Comments of the Chief Finance Officer (s151)

- 8.1. The Council has faced a turbulent and challenging financial year with the identification of the error in the 2020/21 budget, coupled with the ongoing effects of the pandemic. These challenges are set to continue over the medium-term, particularly with the likely introduction of Fair Funding Reform and Business Rates reset for 2023/24 as was alluded to in the Provisional Settlement of 16th December. Despite all this **we have set a balanced budget for 2022/23** but this will need to ensure that in-year pressures are managed, and savings as set out in this report are delivered. We have de-risked this to the extent possible by the introduction of a Benefits Board to ensure we can deliver the benefits for 2022/23 from April and take the full-year effect. The progress of these savings will be reported to Members through routine management reporting.
- 8.2. 2021/22 is undoubtedly also a difficult year with a current (Month 7) overspend of c£200k forecast for year-end. We collectively need to ensure we manage this position as tightly as possible as we approach year-end to minimise the call on Reserves, which are at legally acceptable levels but are insufficient to provide us with any financial resilience in the medium-term.

- 8.3. Given the challenges of setting the 2022/23 against the backdrop set out above, we chose not to build Reserves in 2022/23 however for 2023/24 we must set back on this course. Due to the strategy adopted in budget setting for 2021/22 to build reserves our call on them to mitigate the 2020/21 budget error has been minimised and there is the hope that they can be replenished through our request to Department of Levelling Up Communities and Housing for a Capital Dispensation. This is currently in train and we will be notified of our success or otherwise in the early part of 2022.
- 8.4. The Council is required to set a balanced budget for 2022/23 and the proposals in this report help achieve that objective. If any efficiency proposals or savings are rejected, or pressures is added then offsetting savings must be identified to compensate.

9. Comments of the Head of Legal Services

- 9.1. The report updates Members with the MTFS for this Committee. This is a matter that informs the budget process, is consistent with sound financial management and the Council's obligation under section 151 of the Local Government Act 1972 for the Council to adopt and monitor a MTFS.
- 9.2. The report provides information about risks associated with the MTFS and the budget. This is, again, consistent with the Council's obligation under section 151 of the Local Government Act 1972 to make proper arrangements for the management of its financial affairs. It is also consistent with the Council's obligation under the Accounts and Audit Regulations 2015 to have a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk. The maintenance and consideration of information about risk, such as is provided in the report, is part of the way in which the Council fulfils this duty.
- 9.3. Section 28 of the Local Government Act 2003 imposes a duty on the Council to monitor its budgets throughout the financial year, using the same figures for reserves as were used in any original budget calculations. The Council must take necessary appropriate action to deal with any deterioration in the financial position revealed by the review.
- 9.4. The Council is a best value authority within the meaning of section 1 of the Local Government Act 1999. As such the Council is required under section 3 of the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness (the best value duty) which includes a duty to consult. Having a MTFS therefore contributes to achieving this legal duty.
- 9.5. Although the MTFS is not a statutory document it is considered best practice.

10. Equality

- 10.1. The Council has specific responsibilities under the Equality Act 2010 and Public Sector Equality Duty. Part of this is to ensure that the potential effects of decisions on those protected by the equalities legislation are considered prior to any decision being made.
- 10.2. Section 149 of the Equality Act 2010, provides that a public authority must, in the exercise of its functions, have due regard to the need to:
 - eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the EA;
 - advance equality of opportunity between persons who share a relevant protected characteristic (as defined by the EA) and persons who do not share it;
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 10.3. The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.
- 10.4. Members should have due regard to the public-sector equality duty when making their decisions. The equalities duties are continuing duties they are not duties to secure a particular outcome.
- 10.5. The Officers have reviewed their budget changes against the initial equalities screening tool. This has highlighted and concluded that all of savings within the 2022/23 budget will not have any direct effect on residents or service delivery (such as removal of vacant posts, renegotiation of contracts and reserve adjustments).
- 10.6. The outcome of this is that the budgetary changes have no negative or positive impact on protected characteristics and residents. However, the Council will continually monitor the effect of the Budget-setting process and decision-making by using equality impact assessments.

11. Climate change

- 11.1. There are no significant environmental / sustainability implications associated with this report.

Appendices

Appendix A - 2022/23 Revenue Budget Movements, including pressures and savings allocated as part of Tranche 1

Appendix B – Subjective Revenue Budgets from 2020/21 to 2023/24

Appendix C – Draft Capital Programme 2022/23 – 2024/25

Background papers

2nd Dec S&R – 2022/23 Draft budget and medium- term financial strategy (MTFS)

Appendix A - 2022/23 Revenue Budget Movements, including pressures and savings allocated as part of Tranche 1

HOUSING GENERAL FUND

		2022/23 £000	2023/24 £000	Total £000
Brought forward budget		469	468	
Pressures				
Theme	Description	Pressure		
		2022/23 £000	2023/24 £000	Total £000
Service Demands	Afghan refugees – Net funding pressure	10	0	10
Service Demands	Redstone – sale of the property / affordable housing – loss of rent	49	0	49
Total Pressures		59	0	59
Savings				
Theme	Description	Saving		
		2022/23 £000	2023/24 £000	Total £000
Fees and Charges	Reduce funding for Westway Centre (Douglas/Broughton) as per the lease	(50)	(50)	(100)
Fees and Charges	Increase Meadowside Mobile Home Sales	(10)	10	0
Total Savings		(60)	(40)	(100)
Net movement for committee budget		(1)	(40)	(41)
Indicative Budget Requirement		468	428	

Note: for 2023/24 Pressures are indicative only at this stage and savings are those which are a continuation of those identified for delivery in 2022/23. These will be reviewed as part of the annual budget setting cycle for 2023/24.

Glossary of Terms

Budget pressures: Known budgeted expenditure increases and income reductions due to the following:

- Growth factors – e.g. demographic, inflation and/or increased demand for services;
- Full year effects – to take account of changes to expenditure or income which have taken effect in-year and need to be accounted for in future years as they are of an ongoing nature, e.g. ongoing changes to car parking income due to the pandemic; and/or
- Other increases in expenditure or reduction in income as a result of strategic, governance, funding or policy changes e.g. additions to the organisational structure or additional service activities undertaken and not budgeted for as they occur after the budget is set and have ongoing implications.

Budget savings: Known budgeted expenditure reductions and income increases which result due to the following:

- Containing additional costs of Inflationary increases in contracts or pay;
- Driving forward efficiencies in the provision of existing services i.e. providing services in an improved way to deliver better value for money;
- The delivery of new or additional services; and/or
- Optimising sources of income.

Balanced budget: Budget pressures fully offset by budget savings and funding changes.

Appendix B - Subjective Revenue Budgets from 2020/21 to 2022/24

	2020/21		2021/22	2022/23	2023/24
	Annual Budget £k	Outturn £k	Annual Budget £k	Annual Budget ¹ £k	Estimate ² £k
Salaries	776	661	524	524	524
Meadowside Mobile Homes	(116)	(137)	(120)	(130)	(120)
Westway	100	123	100	50	0
Private Sector Enabling	64	53	71	71	71
Housing of the Homeless	(60)	(75)	(61)	(61)	(61)
Other Housing Renewal Functions	60	55	55	55	55
Syrian Refugees	15	(0)	15	15	15
Afghan Refugees	0	0	0	10	10
Redstone House	(49)	(48)	(49)	0	0
Housing Benefits	(193)	(132)	(69)	(69)	(69)
Care In The Community	1	1	1	1	1
Other Variances less than £10k	0	(51)			
Alarm Systems	(163)	(160)			
Housing General Fund	435	291	469	468	428

Note 1: The Annual budget will be represented, to the committee in March 2022, when the Corporate Items Pressures and Savings have been distributed

Note 2: These include the indicative pressures and savings for the committee

Appendix C

CAPITAL PROGRAMME 2021/22 TO 2024/25 - Housing General Fund

COMMITTEE SCHEMES	Current Programme 2021/22 £	Estimated Programme 2022/23 £	Estimated Programme 2023/24 £	Estimated Programme 2024/25 £	Total Programme 2021-25 £
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Housing General Fund

Current Continuing Programme					
Disabled Facilities Grant	460,000	460,000	460,000		1,380,000
Total Current Continuing Programme	460,000	460,000	460,000	0	1,380,000

Revisions and New Bids					
Disabled Facilities Grant				460,000	460,000
Total Revisions and New Bids	0	0	0	460,000	460,000

Proposed Programme					
Disabled Facilities Grant	460,000	460,000	460,000	460,000	1,840,000
Total Proposed Programme	460,000	460,000	460,000	460,000	1,840,000

CAPITAL PROJECT APPRAISAL - HOUSING GENERAL FUND

Title of Scheme	Disabled Facilities Grant
Description of Scheme	Mandatory DFG to a maximum of £30,000 at the recommendation of an Occupational Therapist for the provision of facilities and/or additional living space for residents with health or mobility problems. This is a means tested grant, with the exception of grants to children.
Key Aspects of Scheme (including benefits, contract details, key dates and reasons for revisions where applicable)	Provides grant funding for adaptations to allow residents living in the private sector (which includes the homes of registered social landlords), with a disability or severe mental health problem to live safely and independently in their existing home for as long as possible. The provision of adaptations also helps to avoid delayed transfers of care and delays or avoids the need to access acute services and residential care. Central government funding is provided through the Better Care Fund (BCF) which covers the current level of expenditure. DFGs are a mandatory grant and the demand for adaptation work is very difficult to predict but it is known that the District has a growing ageing population. There is no means test in respect of grants for adaptations for children. On occasion, the cost of works exceed the mandatory limit and discretionary funding is awarded and must be considered as one process with the mandatory grant otherwise the Council is open to challenge. The Council also funds qualifying Handyperson works in the private sector using BCF using discretion provided in the Regulatory Reform Order.